

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 749 - HB 889

March 4, 2017

SUMMARY OF BILL: Requires police officers who are members of the state retirement system to be eligible for service retirement upon completion of 25 years of service.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures – Exceeds \$4,000,900*

Assumptions:

- All new police officers after June 30, 1976, joined the Tennessee Consolidated Retirement System (TCRS) as Group 1 members.
- Group 1 members are eligible for unreduced service retirement benefits upon completion of 30 years of creditable service, or upon attainment of age 60 and completion of 5 years of creditable service. Group 1 members may also retire earlier on a reduced retirement benefit.
- According to TCRS, any political subdivision participating in TCRS may authorize its Group 1 police officers to retire on unreduced retirement benefits upon attainment of age 55 with 25 years of creditable service provided the political subdivision adopts a mandatory retirement age requirement for all its police officers that cannot be less than age 60 or higher than the age requirement for receipt of Social Security benefits.
- This legislation would allow TCRS member police officers to retire with unreduced benefits at any age upon attaining 25 years of service.
- According to TCRS, there are approximately 8,815 public safety officers who are TCRS members who would reach 25 years of service prior to attaining age 60.
- Based on information provided by TCRS, approximately 50 percent of these public safety officers are classified as TCRS member police officers; therefore, it is estimated that 4,408 police officers (8,815 x 50%) would be impacted by this legislation.
- Based on information provided by TCRS, the average annual benefit per police officer with 25 years of service is estimated to be \$18,186.
- The total recurring increase in local expenditures for 100 percent participation in earlier service retirement by eligible police officers is estimated to be \$80,163,888 (4,408 officers x \$18,186).

- The precise impact on local government expenditures is dependent on the number of officers retiring early and the timing of their retirement under the provisions of the bill compared to when they would otherwise retire under current law.
- At least five percent of eligible police officers, or a minimum of 220 (4,408 x 5.0%), will choose retire earlier than they would under current law as a result of being eligible to receive retirement benefits earlier under this bill.
- The total mandatory increase in local government expenditures is estimated to exceed \$4,000,920 (220 officers x \$18,186).

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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